

Message Text

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45

ACTION AF-18

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FM AMEMBASSY COTONOU

TO SECSTATE WASHDC 5727

C O N F I D E N T I A L COTONOU 1803

E.O. 11652: GDS

TAGS: BGEN, ENRG, DM, US

SUBJECT: UNION OIL NEGOTIATIONS IN DAHOMEY

1. UNION OIL NEGOTIATING TEAM LEFT COTONOU DEC 12 AFTER SEVERAL
FRUSTRATING, RANCOROUS NEGOTIATING SESSIONS WITH MRGD OFFICIALS.

NEGOTIATIONS FINALLY BROKE DOWN WHEN MRGD SIDE PRESENTED
DETAILED RESPONSE TO UNION'S PROPOSAL BASED MAINLY ON NEW PETROLEUM
CODE (COTONOU A-80). DAHOMEANS REFUSED CONSIDER UNION'S ORIGINAL
CONVENTION AS BINDING, AND HAVE INSISTED FUTURE PRODUCTION BE
COMMITTED TO REFINERY TO BE BUILT IN DAHOMEY BY LITWIN COMPANY.
GREENWALD, UNION MANAGER IN DAHOMEY, COMMENTED THAT, UNDER PRESENT
SPECIFICATIONS, REFINERY COULD NOT PROCESS DAHOMEAN CRUDE AS
IT IS TO BE BUILT TO HANDLE NIGERIAN OIL PENDING AVAILABILITY
DAHOMEAN CRUDE. THUS, UNION WOULD HAVE TO BARTER DAHOMEAN CRUDE
FOR SOME OTHER OIL SUITABLE FOR REFINERY. THIS, HE BELIEVES,
WOULD BE COSTLY AND WOULD MEAN DAHOMEAN OIL WOULD NOT BE AVAILABLE
FOR UNION'S OWN REFINERIES. LATTER IS MAJOR FACTOR NOW MAKING
DAHOMEAN OIL ATTRACTIVE TO UNION WHOSE REFINERIES ARE, OR WILL
BE, SHORT OF OIL.

2. A FURTHER FACTOR IN BREAKDOWN OF NEGOTIATIONS IS EXTENSIVE
POWERS OVER MANAGEMENT AND OPERATIONS WHICH WOULD BE VESTED
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IN DAHOMEAN DIRECTOR OF HYDROCARBON SERVICE, JEAN-JACQUES PEREIRA,

UNDER MRGD PROPOSAL. THESE POWERS WOULD EXTEND TO VETO ON HIRING AND FIRING OF COMPANY PERSONNEL, ON WHERE DRILLING SHOULD TAKE PLACE, AND OTHER CRITICAL AREAS OF MANAGEMENT. UNION FINDS SUCH LIMITATIONS ON MANAGEMENT UNACCEPTABLE, PARTICULARLY AS THEY CONSIDER PEREIRA TO BE ANTIPATHETIC TOWARDS UNION.

3. BRANDON, UNION'S CHIEF NEGOTIATOR, NOW PLANNING PROPOSE TO HIS MANAGEMENT IN LOS ANGELES THAT NEW COUNTER-PROPOSAL TO MRGD LATEST PROPOSITION BE MADE. HOWEVER, GREENWALD DOUBTFUL HOME OFFICE WILL AGREE TO FURTHER CONCESSIONS AND IS MORE LIKELY CLOSE OUT RESIDUAL UNION INTEREST IN DAHOMEY. SINCE BRANDON'S DEPARTURE, MINISTER ATCHADE HAS PASSED WORD TO GREENWALD THAT UNION MUST SUBMIT NEW PROPOSAL BY DECEMBER 31. GREENWALD FEELS THIS MAY BE FINAL DISCOURTESY WHICH WILL DETERMINE LOS ANGELES DECISION TO CLOSE OUT DAHOMEAN OPERATIONS.

4. COMMENT: BELIEVE ATCHADE'S PREEMPTORY TREATMENT OF UNION BASED ON DISTRUST AND A BELIEF THAT HE HAS ATTRACTIVE, WILLING ALTERNATIVE IN WINGS. LATTER CERTAINLY INCLUDES ROSARIO, TOWARDS WHOM ATCHADE IS WELL DISPOSED. COULD ALSO INCLUDE SHELL IN WHOSE "EUROPEAN OFFICES" PEREIRA REPORTEDLY SPENT SIX-MONTH TRAINING PERIOD. MCNAMARA

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